

MAYOR'S REPORT: 2014/2015 ADJUSTMENT OPERATING AND CAPITAL BUDGET REPORT

PURPOSE

- To advise Council about the adjustment budget process for 2014/2015 MTREF (Medium Term Revenue and Expenditure Framework).
- To submit the 2014/2015 Adjustment Capital and Operating budget for Council approval.
- To advise council about items affecting adjustment budget and service delivery.
- To provide adjustment budget information to council for more discussion to achieve approved budget on time.

LEGAL / STATUTORY REQUIREMENTS

- Municipal Finance Management Act 56 of 2003, Chapter 4.
- Municipal System Act 32 of 2000.
- National Treasury Regulations and Guidelines.
- Municipal Budget and Reporting Regulations (reg21, 22, 23, 24, 25, 26 and 27).
- Matatiele municipality will continue to strive for improvements on the performance for the speeding up of sustainable service delivery. For the first half of the 2014/2015 Budget implementation, small improvements as compared to last year at this time is noted and there is still more needs to be done so that by year end the acceptable performance is achieved. Last year at this time, 30% achieved on capital budget spending and that has decreased this year to 28% and this is not good enough as is 22% less than the expected target of 50%.

MAYOR'S FORWARD

- The municipality is still faced with a challenge of spending 100% on capital budget by year end and to achieve that, proper planning, fast decision making, more cooperation and dedication on political leadership, management and staff in general will be critical and a priority. Municipality is continuing with strict controls on implementation and management of operating budget and measures have been put in place to ensure that expenditure is within the approved budget and always balanced with the actual revenues received. This is evident through the expenditure spending of 44% against 58% revenue received of the approved budget.
- Challenges are still notable on the debtors' reduction and the municipality is moving forward in resolving this challenge through development of Revenue Enhancement Strategy which will focus to the main areas of customer's data cleansing, tariff modelling, identification of new revenue sources, electricity smart metering and upgrading of consolidated billing systems. The enforcement of debt collection and credit control policies remain a practise for the municipality and this is evident by the 85% collections on current billings of rates and services with only the stumbling block being on arrears of more than 120 days.

- On good governance, the municipality remains improving and compliance with legislation is always enforced and encouraged to political leadership and management, as results of legislative compliances, the municipality has sustained the unqualified audit opinion for the year ended 30 June 2014.
- On this mid-term budget performance assessment by the accounting officer, council needs to take notice that, in overall only 42% has been achieved and this is 8% less achievement which requires a turnaround plan to achieve 100% by end of the budget year.
- The Accounting Officer with management is therefore tasked with a responsibility of turning things around so that the performance is improved to achieve the 100% target on Capital budget and Operating budget needs to be controlled within the required limits to avoid overspending and unbalanced income and expenditure.

I thank you,

2014/2015 ORIGINAL APPROVE BUDGET PROCESS

The preparation process of the Capital and Operating Budget 2014/2015 had commenced as expected by submitting the Budget and IDP Review plan to Council for approval in August 2014. Management submitted their budget proposals timeously and advised for consolidation in one Council Budget. The consolidated budget was discussed by Management and adjustments were subsequently made.

The submissions were based on the Medium Term Revenue and Expenditure Framework for 2014/2015 and these were mainly for the operating estimates as well as Capital estimates. The IDP and Budget review process was conducted in most wards as coordinated by the office of the Mayor, Ward Councillors, IDP office, Budget and Treasury and the Municipal Managers offices.

This exercise was carried out in order to establish the Capital Budget priorities as per IDP as well as to review the IDP for consideration of the Budget preparation process.

ALIGNING THE BUDGET WITH THE COMMUNITY NEEDS

The municipality is committed to redressing and addressing the needs of the people and values inputs from our communities. During the budget outreach program in April 2014, there were projects which

were identified and omitted on the final approved budget and these have been identified by management during the mid-term performance assessment processes and have necessitated that there must be adjustments to be done on the capital budget approved to cater for them as follows,

CAPITAL PROJECTS TO BE INCLUDED ON ADJUSTMENTS

COUNCIL ADMINISTRATION

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS BUDGET
Furniture & Equipment	30 000	30 000
Mayoral Chain	50 000	50 000
TOTAL	80 000	80 000

Remarks

- No capital adjustments have been proposed and done in the office of the Council Administration, all approved capital expenditures remain.

MUNICIPAL MANAGERS OFFICE

PROJECT	APPROVED BUDGET	PROPOSED ADJUSTMENTS BUDGET
FURNITURE & EQUIPMENT	221 000	221 000
TOTAL	221 000	221 000

Remarks

- No capital adjustments have been proposed and done in the office of the Municipal Manager, all approved capital expenditures remain.

BUDGET AND TREASURY		
PROJECT	APPROVED BUDGET	PROPOSED ADJUSTMENTS
Office Furniture	500 000	500 000
Toyota Double Cab	379 000	379 000
Chev Aveo	136 000	136 000
Isuzu Double cab	315 000	315 000
Opel Corsa (x2)	261 200	261 200
Upgrade of Revenue System	300 000	300 000
Renovation Maluti & Cedarville Office	-	350 000
Furniture & Equipment	-	102 403
TOTAL	1 891 200	2 343 603

Remarks

- An additional R452, 403 has been allocated for the renovation of the Maluti and Cedarville cashier offices and furniture thereof.

CDRPDRATE SERVICES

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS
Electronic Documentation System	250 000	-
Office Partitioning	-	250 000
Furniture & Equipment	278 000	278 000
IT Equipment	1 595 000	1 595 000
Networking -Finance and Chambers	-	400 000
TOTAL	2 123 000	2 523 000

Remarks

- An additional R400, 000 has been allocated for the networking of the new Finance Offices and new Council Chamber.

ECONOMIC & DEVELOPMENT PLANNING

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS
Grain Storage	400000	400000
Hawker Stalls	500000	500000
Furniture & Equipment	15000	15000
TOTAL	915000	915000

Remarks

- No capital adjustments have been proposed and done in the office of the Economic Development Planning, all approved capital expenditures remain.

COMMUNITY SERVICES

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS
Construction of Public Toilets	800 000	400 000
Grass Cutters	80 000	80 000
Furniture & Equipment community hall chair	300 000	300 000
Cemetery Establishment	800 000	570 000
Cemetery Management System	200 000	300 000
Mobile Toilets	100 000	100 000
Backup Generator	50 000	50 000
Street Bins	-	130 000
Construction of Landfill Cells	2 500 000	2 500 000
Test ground Surface	1 000 000	1 400 000
Fire Arms (x20)	200 000	200 000
CCTV Camera System	800 000	800 000
Rescue Equipment	100 000	100 000
Alcometre printer	50 000	50 000
Renovation of Traffic Offices	100 000	100 000
Two Way Radio	80 000	90 000
Automated Generator	150 000	150 000
Furniture & Equipment	33 000	33 000
	7 343 000	7 353 000

Remarks

- An additional R10, 000 has been allocated for the procurement of the two way radios for the public safety unit.

ELECTRICAL ENGINEERING

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS
Rural Electrification	19 300 000	19 561 404
Itsokolele Ringfeed	850 000	850 000
Replace MV Cables	1 000 000	95 000
Replace Mini Subs (Sirah hardware & north end)	750 000	790 000
Substation Golf Club	30 000 000	11 500 000
Park Homes & Office Furniture	12 000	12 000
Tools and Equipment	50 000	270 000
Radios	10 000	-
Christmas Decoration Lights	60 000	122 000
Five high mast lights	1 250 000	1 250 000
Replace RMU	-	400 000
New RMU	-	125 000
Repalce OH Cables	-	50 000
Fencing of Electrical Workshop	50 000	58 000
TOTAL	53 332 000	35 083 404

Remarks

- An increase on funding for the Rural Electrification from the original budget of R19, 300, 000 to R19, 561, 404 due to an increase on funding by R3, 000, 000 and the new circular(Circular number 66 and 72) on VAT.
- An decrease for substation from the original budget of R30, 000, 000 to R11, 500, 000 due to spending being anticipated to be in around that and the difference will be rolled over to the next financial period.

OPERATIONS & MAINTAINANCE

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS
3.0km(3000m)kerbing and chanelling Material	1 500 000	1 910 100
300 m Storm Water pipe Installation	750 000	339 900
Laptop x2	32 000	32 000
Fumiture &Equipment	30 000	30 000
Bomag Roller	300 000	300 000
Tar Drums and Material	500 000	500 000
60 Steel 2 compartment lockers	100 000	100 000
Grader	2 200 000	2 200 000
Smooth Roller	900 000	900 000
TOTAL	6 312 000	6 312 000

Remarks

No capital adjustments have been proposed and done in the office of the Operations and Maintenance, all approved capital expenditures remain

INFRASTRUCTURE

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS
Matatiele CBD Internal Streets-Phase 1	5 697 957	6 313 998
Maluti Internal Streets -Phase 3	200 000	175 439
Matatiele Internal Streets Phase 2 Area C - Harry Gwala	6 750 000	5 073 701
Cedarville Internal Streets -Phase 3	4 220 440	7 563 578
Khaue Community Facility	1 250 000	931 055
Bethel Community Facility	919 635	919 635
Manzi Access Road	2 048 212	1 796 677
Sabasaba Access Road	1 493 367	1 309 971
Thotaneng Access Road	1 200 000	1 200 000
Mqayi Access Road	1 203 028	2 107 919
Pabalong Access Road	2 685 000	888 748
Masopha Access Road	1 500 000	844 123
Mahangwe Sport Field	1 700 000	1 491 228
Afsondering Sport Field	1 700 000	1 491 228
Nkau Sport Field	1 700 000	438 596
Majoro Sport Field	1 700 000	1 491 228
Epiphany Field	1 700 000	1 491 228
Mahasheng Bridge	1 105 000	1 720 741
Council Chambers	18 800 000	14 194 000
Diaho Great Place	68 703	-
Maluti Internal Streets -Phase 2	1 418 679	1 244 455
Cross to St Johns	230 000	201 754
Sekhotlong Access Road	306 889	269 201
Zingcuka-Madlangeni	311 964	273 653
Nyanzela Access Road	3 782 365	2 122 959
Fresh Poduce Market	3 558 000	1 805 263
Rholweni Bridge	200 000	-
Lunda Community Facility	1 500 000	2 096 000
Development of Light Industrial Sites	500 000	500 000
Park Home & Furniture	330 000	-
Tanks and Borehole	-	186 000
Generators x 2	-	600 000
Laptops and Printer	39 000	39 000
Office and Civic Center	45 000	45 000
LED Offices	274 480	1 114 480
Transformer	-	334 000
Tool and Equipment	-	200 000
Mini Sub Finance Office	-	68 703
Finance Offices	5 264 472	8 224 472
Mzongwana AR	-	438 596
Khoapha AR	-	263 158
Airfield air	-	307 018
TOTAL	75 402 192	71 776 805

Remarks

- An decrease of R3, 625, 387 from the original budget has been allocated for the Project Management Unit due to new circular(Circular number 66 and 72) which indicates that we need not budget inclusive of VAT for the Municipal Infrastructure Grant funded projects.

DOWN ADJUSTED PROJECTS

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS	NET-CHANGES
Maluti Internal Streets -Phase 3	200 000	175 439	-24 561
Matatiele Internal Streets Phase 2 Area C - Harry Gwala	6 750 000	5 073 701	-1 676 299
Khaue Community Facility	1 250 000	931 055	-318 945
Manzi Access Road	2 048 212	1 796 677	-251 535
Sabasaba Access Road	1 493 367	1 309 971	-183 396
Pabalong Access Road	2 685 000	888 748	-1 796 252
Masopha Access Road	1 500 000	844 123	-655 877
Mahangwe Sport Field	1 700 000	1 491 228	-208 772
Afsondering Sport Field	1 700 000	1 491 228	-208 772
Nkau Sport Field	1 700 000	438 596	-1 261 404
Majoro Sport Field	1 700 000	1 491 228	-208 772
Epiphany Field	1 700 000	1 491 228	-208 772
Council Chambers	18 800 000	14 194 000	-4 606 000
Diaho Great Place	68 703	-	-68 703
Maluti Internal Streets -Phase 2	1 418 679	1 244 455	-174 224
Cross to St Johns	230 000	201 754	-28 246
Sekhotlong Access Road	306 889	269 201	-37 688
Zingcuka-Madlangeni	311 964	273 653	-38 311
Nyanzela Access Road	3 782 365	2 122 959	-1 659 406
Fresh Poduce Market	3 558 000	1 805 263	-1 752 737
Rholweni Bridge	200 000	-	-200 000
Park Home & Furniture	330 000	-	-330 000
Replace MV Cables	1 000 000	95 000	-905 000
Replace Mini Subs (Sirah hardware & north end)	750 000	790 000	40 000
Substation Golf Club	30 000 000	11 500 000	-18 500 000
Radios	10 000	-	-10 000
	85 193 179	49 919 508	-35 273 671

Remarks

- The approved capital budget for the projects of R85. 193, 179 has been adjusted down to R49, 919, 508 due to reason that the approved capital budgeted amount will not be fully utilised by the end of the budget year. These projects are projected to be rolled over to the next financial budget year and the adjusted amount of R35, 273, 671 will be provided in the next budget year.

Currently this amount has been shifted to fund other projects which were under budgeted or urgently requested to be included in the adjustment budget

INCREASED PROJECTS

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS	NET-CHANGES
Rural Electrification	19 300 000	19 561 404	261 404
Replace Mini Subs (Sirah hardware & north end)	750 000	790 000	40 000
Tools and Equipment	50 000	270 000	220 000
Christmas Decoration Lights	60 000	122 000	62 000
Five high mast lights	1 250 000	1 250 000	-
Replace RMU	-	400 000	400 000
New RMU	-	125 000	125 000
Repalce OH Cables	-	50 000	50 000
Fencing of Electrical Workshop	50 000	58 000	8 000
Matatiele CBD Internal Streets-Phase 1	5 697 957	6 313 998	616 040
Mqayi Access Road	1 203 028	2 107 919	904 891
Mahasheng Bridge	1 105 000	1 720 741	615 741
Lunda Community Facility	1 500 000	2 096 000	596 000
LED Offices	274 480	1 114 480	840 000
Finance Offices	5 264 472	8 224 472	2 960 000
	36 504 937	44 204 014	7 699 077

Remarks

- The approved capital budget for the projects of R36, 504, 937 has been increased to R44, 204, 014.
- To ensure the approved capital budgets which were under estimated are topped up for completion.

NO CHANGES ON APPROVED CAPITAL PROJECTS

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS	NET-CHANGES
Itsokolele Ringfeed	850 000	850 000	-
Five high mast lights	1 250 000	1 250 000	-
Bethel Community Facility	919 635	919 635	-
Thotaneng Access Road	1 200 000	1 200 000	-
	4 219 635	4 219 635	-

Remarks

- No changes have been made to the approved capital budget for the above projects.

NEW PROJECTS

DESCRIPTION	APPROVED BUDGET	PROPOSED ADJUSTMENTS	NET-CHANGES
Replace RMU	-	400 000	400 000
New RMU	-	125 000	125 000
Repalce OH Cables	-	50 000	50 000
Tanks and Borehole	-	186 000	186 000
Generators x 2	-	600 000	600 000
Transformer	-	334 000	334 000
Tool and Equipment	-	200 000	200 000
Mini Sub Finace Office	-	68 703	68 703
Mzongwana AR	-	438 596	438 596
Khoapha AR	-	263 158	263 158
Airfield air	-	307 018	307 018
	-	2 972 475	2 972 475

Remarks

- The above project is a new project that was not part of the Approved Budget.

CAPITAL ADJUSTMENT BUDGET

DESCRIPTION	APPROVED BUDGET 2014/15	ADJUSTMENTS BUDGET	ADJUSTED MIG	ADJUSTED CRR INSTITUTIONAL	ADJUSTED CRR INFRASTRUCTURAL	ADJUSTED DOE	ADJUSTED LOAN
MUNICIPAL GOVERNANCE AND ADMINISTRATION	4 235 200	5 087 603	-	5 087 603	-	-	-
COMMUNITY AND PUBLIC SAFETY	7 343 000	7 353 000	-	4 853 000	2 500 000	-	-
ECONOMIC AND ENVIROMENTAL SERVICES	82 667 192	79 041 805	41 124 460	10 140 655	27 776 690	-	11 500 000
TRADING SERVICES	53 332 000	35 083 404	-	404 000	3 618 000	19 561 404	-
TOTAL CAPITAL PROJECTS	147 577 392	126 565 812	41 124 460	20 485 258	33 894 690	19 561 404	11 500 000

Remarks

The adjustment capital budget for 2014/2015 is R126, 565, 812 million (Original 2014/2015: R147, 577, 392 million and the Council funded portion through Capital Replacement Reserve (CRR) has been increased to R54, 829, 948, Funding from DOE has increased to R 19 561 404 and MIG funding has reduced to R41 124 460 because of the circular 66 & 72 on VAT.

ADJUSTMENT CAPITAL ESTIMATES PER FUNDING SOURCE

FUNDING	APPROVED BUDGET	PROPOSED ADJUSTMENTS	% ALLOCATION
CAPITAL REPLACEMENT RESERVE	53 066 489	54 379 948	43%
MUNICIPAL INFRASTRUCTURE GRANT	45 210 000	41 124 460	32%
DEPARTMENT OF EMERGY	19 300 000	19 561 404	15%
EXTERNAL LOANS -FRONT LOADING	30 000 000	11 500 000	9%
	147 576 489	126 565 812	

Remarks

The adjustment on CRR has increased from R53, 066, 489 to R54, 379, 948 due to new projects being funded out of it.

The adjustment on MIG has been decreased from R45 210 000 to R41, 124, 460 due to implementation of the new circular (circular 66 and 72).

The adjustment capital budget funding from loans has been decreased from R30, 000, 000 to R11, 500, 000.

The adjustment from department of energy has been increase to R 19561 404 due to additional amount of R3000 000 that is allocated for electrification and the implementation of the new circular (circular 66 and 72)

OPERATING ADJUSTMENT EXPENDITURE BUDGET

EXPENDITURE DESCRIPTION	APPROVED BUDGET 2014-2015	ADJUSTMENTS BUDGET 2014-2015	NET-CHANGE	% CHANGE
Employee Cost	90 399 994	85 477 964	(4 922 030)	-5%
CIlr Remunerations	17 177 312	17 177 312	-	0%
Depreciation	14 065 850	14 065 850	-	0%
Repairs & Maint	11 315 000	11 424 000	109 000	1%
Bulk Purchases	28 000 000	28 000 000	-	0%
Contracted Services	15 986 545	15 888 545	(300 000)	-2%
Other Expenditure	49 113 976	55 046 626	5 932 650	12%
Grants & Subsidies	27 144 247	32 694 050	5 549 803	20%
Provisions	4 677 597	4 677 597	-	0%
TOTAL	257 880 520	264 249 943	6 369 423	2%

Remarks

The adjustment operating expenditure budget for 2014/2015 is R264, 249, 943 (Original 2014/2015: R257. 880, 520 as per table above. This has been increased by R6, 369 423 which is on repairs and maintenance, Audit Fees, Consulting Fees and on the grants expenditure.

OPERATING ADJUSTMENT REVENUE BUDGET

REVENUE SOURCE	APPROVED BUDGET 2014-2015	ADJUSTMENTS BUDGET 2014-2015	NET-CHANGE	% CHANGE
Property Rates	-30 729 031	-32 729 031	-2 000 000	7%
Service Charges	-48 690 405	-48 690 405	-	0%
Rental of Facilities	-599 165	-599 165	-	0%
Interest Outstanding Debtors	-1 943 340	-3 943 340	-2 000 000	103%
Interest External Investments	-4 200 000	-4 200 000	-	0%
Fines	-450 000	-1 201 050	-751 050	167%
Licences & Permits	-2 704 000	-2 872 000	-168 000	6%
Grants & Subsidies	-231 194 297	-228 854 935	2 339 362	-1%
Other Income	-54 950 520	-56 262 927	-1 312 407	2%
Total Revenue	-375 460 759	-379 352 853	-3 892 095	1%

Remarks

The operating income adjustment budget for 2014/2015 is R379, 352, 856 (Original 2014/2015: R375, 460, 759) as per table above. This has been increased by R3, 892, 095 due to property rates, interest on outstanding debtors, fines and other income.

EXTERNAL GRANTS

DESCRIPTION	DORA AMOUNT	APPROVED ROLL-OVER 2013/14	RECEIVED AS AT 31 DEC 2014	TO BE RECEIVED IN THE NEXT HALF	ADJUSTMENTS	TOTAL
MUNICIPAL INFRASTRUCTURE GRANT	45 759 000	3 410 836	19 584 000	26 175 000		49 169 836
EXPANDED PUBLIC WORKS	4 485 000	-	3 139 000	1 346 000		4 485 000
MUNICIPAL SYSTEMS IMPROVEMENT GRANT	934 000	-	934 000	-		934 000
FINANCIAL MANAGEMENT GRANT	1 600 000	-	1 600 000	-		1 600 000
DEPARTMENT OF ENERGY	19 300 000	-	19 300 000	-	3 000 000	22 300 000
TOTAL	72 078 000	3 410 836	44 557 000	27 521 000	3 000 000	78 488 836

Remarks

An amount of R3, 000, 000 has increased the Integrated National Electrification Grant (DOE) as per revised of DORA.

An amount of R3, 410,836 has been approved as rollover for MIG which increases the allocation from approved DORA of R 45 759 000 to R 49, 169, 836.

CONCLUSION

TOTAL BUDGET

DESCRIPTION	APPROVED BUDGET 2014/2015	PROPOSED ADJUSTMENTS BUDGET 2014/15	NET CHANGES	% CHANGE
OPERATING EXPENDITURE	257 880 519	264 249 944	6 369 424	2%
CAPITAL EXPENDITURE	147 577 392	126 565 812	-21 011 579	-14%
TOTAL BUDGET	405 457 911	390 815 756	-14 642 155	-4%

Remarks

- The operating budget has been adjusted to increase by R6, 369, 424 from approved budget of R257, 880, 519 to adjustment budget of R264, 249, 944 and this has been due to material increases on repairs and maintenance and general expenditure.
- The capital budget has been adjusted by R21, 011, 579 from approved budget R147, 577, 392 to adjustment budget of R126, 565, 812 and this was due to reduction of electrification loan included in the approved budget of R30, 000, 000 to R11, 500, 000.

RECOMMENDATIONS

Council resolves the following:

- That, the operating expenditure adjustment for R264, 249,948 from approved budget of R257, 880, 520 is approved.
- That, the revenue adjustment budget for R379, 352, 856 from approved budget of R375, 460, 759 is approved.
- That, the capital adjustment budget for R126, 565, 812 from approved budget of R147, 577, 392 is approved.
- Council resolve that, tariffs of charges as approved on original 2014/2015 budget remains unchanged.
- Council resolves to note the submission of the adjustment budget by the Municipal Manager within five (5) working days after the council approval to National and Provincial Treasuries.
- Council resolves to note the publication of the approved adjustment budget within five (5) working days after the council has approved the adjustment budget.

ANNEXURES

“A” – EC441_B SCHEDULE ADJUSTMENTS BUDGET 2014/2015

“B” – EC441_MUNICIPAL MANAGERS QUALITY CERTIFICATE

“C” – EC441_COUNCIL RESSOLUTION ON ADJUSTMENTS BUDGET 2014/2015